

Message Text

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ACTION NEA-12

INFO OCT-01 AF-10 ARA-11 EUR-25 EA-11 ADP-00 AID-20

CIAE-00 COME-00 EB-11 FRB-02 INR-10 NSAE-00 RSC-01

TRSE-00 XMB-07 OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01

SCEM-02 INT-08 NSC-10 SS-15 STR-08 CEA-02 DODE-00

PM-07 H-02 L-03 PA-03 PRS-01 USIA-12 RSR-01 /217 W

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R 021059Z JUL 73

FM AMEMBASSY BEIRUT

TO SECSTATE WASHDC 2977

INFO AMEMBASSY BONN

AMEMBASSY CARACAS

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LAGOS

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TEHRAN

AMEMBASSY TOKYO

AMEMBASSY VIENNA

AMCONSUL DHAHRAN

USEC BRUSSELS 667

USOECN PARIS

USINT ALGIERS

USINT BAGHDAD

AMEMBASSY TRIPOLI

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EO 11652: N/A

TAGS: ENRG EFIN OPEC

SUBJ: MEES REPORT OF VIENNA OPEC CONFERENCE

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REF: BEIRUT 3448 MAR 27

SUMMARY: MEES REPORTS THAT OPEC (1) INTENDS SOON TO SEEK REVISION OF 2.5 PERCENT ANNUAL ESCALATION FACTOR OF 1971 TEHRAN AND TRIPOLI POSTED PRICE AGREEMENTS WHILE RETAINING BASIC AGREEMENTS; (2) PRESS AHEAD WITH STUDIES OF VENEZUELAN INDUSTRIALIZATION PROPOSAL (REFTEL).
END SUMMARY.

1. MIDDLE EAST ECONOMIC SURVEY (MEES) SUPPLEMENT
JUN 29 CARRIES REPORT ON XXXIV OPEC CONFERENCE VIENNA
JUN 27-28 BY NEWS EDITOR IAN SEYMOUR WHICH CONTAINS
INFO NOT SEEN IN WEEKEND PRESS ACCOUNTS.

2. TEHRAN AND TRIPOLI POSTED PRICE AGREEMENTS OF 1971 -
MEES CLAIMS CONFERENCE REJECTED IRAQI PROPOSAL THAT
AGREEMENTS BE SCRAPPED AND THAT OPEC MEMBERS ACTING
IN CONCERT SET TAX REFERENCE PRICES THEMSELVES, AS
VENEZUELA DOES. HOWEVER, MEES CONTINUES, "ALL MEMBER
COUNTRIES, INCLUDING THE MOST DEDICATED PARTISANS OF
CONTINUED ADHERENCE TO THE TEHRAN AGREEMENTS SUCH AS
SAUDI ARABIA AND IRAN, ARE NOW CONVINCED THAT SOMETHING
MUST BE DONE ABOUT THE 2.5 PERCENT PER ANNUM ESCALATION
FACTOR FOR INFLATION", SINCE OPEC IMPORTS SUBJECT TO
PRICE INFLATION OF 6-7 PER CENT ANNUALLY NOW. "ACCORDING
TO RELIABLE REPORT CIRCULATING HERE IN VIENNA,
OPEC'S NEXT MOVE WILL BE TO INITIATE CONTACTS WITH THE
OIL COMPANIES TO SEE WHETHER THERE IS ANY POSSIBILITY
OF REACHING A SOLUTION OF THE INFLATION FACTOR PROBLEM
BY NEGOTIATION", WITH EXTRAORDINARY CONFERENCE
LIKELY IN SEPT TO REVIEW RESULTS OF CONTACTS.
MEES ADDS THAT OPEC MODERATES AWARE OF DANGERS
OF INFLATIONARY SPIRAL, PARTICULARLY REGARDING LDC
ENERGY IMPORTERS, AND "THERE IS FEELING HERE NOT YET
IN ANY WAY PRECISELY FORMULATED" THAT IF INDUSTRIAL
COUNTRIES WILL TAKE CONCRETE MEASURES TO CURB PRICE
INCREASES OF THEIR EXPORTS THE OIL EXPORTERS "WOULD
BE PREPARED TO RECIPROCATATE BY MODERATING THEIR OIL
PRICE DEMANDS". ALSO STATES THAT OPEC HANDLING
TEHRAN REVISION CAUTIOUSLY AND THAT MATTER NOT MENTIONED
IN PRESS COMMUNIQUE OR FORMAL RESOLUTIONS TO BE PUBLISHED JUL 27.
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3. INDUSTRIALIZATION PROPOSAL -- AS REPORTED CARACAS
5624, VENEZUELA'S PEREZ NAMED HEAD OF THREE-MAN
COMMITTEE TO REVIEW ENERGY SITUATION AND FOLLOW UP
VARIOUS ENERGY STUDIES. MEES NOT TOO CLEAR ON THIS
POINT BUT INDICATES THAT OPEC ENERGY POLICY STATEMENT
TO BE PUBLISHED JUL 27 WILL SOMEHOW LINK FUTURE
AVAILABILITY OF OPEC OIL TO "MAJOR PROGRAM FOR THE
INDUSTRIAL AND ECONOMIC DEVELOPMENT OF THE OIL
PRODUCING NATIONS, TO WHICH THE INDUSTRIALIZED OIL

CONSUMING COUNTRIES WOULD CONTRIBUTE THEIR TECHNOLOGY
AND MARKETS". PEREZ COMMITTEE'S TERMS OF REFERENCE
VERY BROAD, MEES ADDS. INCLUDE INDUSTRIALIZATION
OPPORTUNITIES, SUPPLY/DEMAND PROJECTIONS, ALTERNATIVE
SOURCES OF ENERGY, LONG-RANGE PLANS FOR OPEC COUNTRIES
WHEN OIL DEPLETED AND PROPOSAL FOR OPEC DEVELOPMENT
BANK FOR MEMBER COUNTRIES.
HOUGHTON

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